

18 THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

TABLE 11.—Statement of transactions in public-debt securities for the disability insurance trust fund during the fiscal year 1960

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury notes:		
4-percent, series B, 1962.....	0	\$5,000,000
4½-percent, series C, 1963.....	\$5,000,000	0
5-percent, series B, 1964.....	5,000,000	0
Treasury bonds: 4¼-percent, 1975-85.....	5,000,000	0
Total public issues.....	15,000,000	5,000,000
Public-debt obligations (special issues): <sup>1</sup>		
Certificates of indebtedness:		
2½-percent, 1960.....	993,544,000	1,082,494,000
2½-percent, 1961.....	56,394,000	0
Notes:		
2¼-percent, 1960.....	0	37,500,000
2¼-percent, 1962.....	32,394,000	0
2¼-percent, 1963.....	32,394,000	0
2¼-percent, 1964.....	32,394,000	0
2¼-percent, 1965.....	32,394,000	0
Bonds:		
2¼-percent, 1966.....	32,394,000	0
2¼-percent, 1967.....	32,394,000	0
2¼-percent, 1968.....	32,394,000	0
2¼-percent, 1969.....	32,394,000	0
2¼-percent, 1970.....	32,394,000	0
2¼-percent, 1971.....	32,394,000	0
2¼-percent, 1972.....	32,394,000	0
2¼-percent, 1973.....	32,394,000	0
2¼-percent, 1974.....	32,394,000	0
2¼-percent, 1975.....	132,894,000	0
Total public-debt obligations.....	1,603,954,000	1,119,994,000
Total transactions.....	1,618,954,000	1,124,994,000

<sup>1</sup> All special issues—certificates, notes, and bonds—mature June 30 of the year shown.

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1960, TO DECEMBER 31, 1965

In the following statement of the expected operations and status of the trust funds during the period July 1, 1960, to December 31, 1965, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period under consideration. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Because it is difficult to foresee economic developments, the assumptions and the resulting estimates here presented are subject to some uncertainty. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.

Estimates are presented in table 12 to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1961-65. They are based on the assumption that the current adjustment in the economy is followed by a pickup in business activity, beginning in 1961, with a steady increase in employment and earnings through 1965. Figures on actual experience in earlier fiscal years are also presented. The increase in estimated income from contributions in fiscal years 1961-65 reflects the assumed uptrend in the levels of employment and earnings as well as the effect of the scheduled increase in contribution rates on January 1, 1963. Benefit disburse-

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ments increase because of the recent amendments and also because of the long-range upward trend in the number of beneficiaries under the program.

TABLE 12.—Operations of the old-age and survivors insurance trust fund, fiscal years 1937-65

[In millions]

Fiscal year	Transactions during period						Fund at end of period <sup>4</sup>
	Income			Disbursements			
	Tax contributions <sup>1</sup>	Interest on investments <sup>2</sup>	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses <sup>3</sup>	Transfers to railroad retirement account	
Past experience:							
1937-60.....	\$73,277	\$6,076	\$15	\$56,161	\$1,674	\$704	\$20,829
1941.....	688	56	-----	64	27	-----	653
1942.....	896	71	-----	110	27	-----	830
1943.....	1,130	87	-----	149	27	-----	1,041
1944.....	1,292	103	-----	185	33	-----	1,178
1945.....	1,310	124	-----	240	27	-----	1,167
1946.....	1,238	148	-----	321	37	-----	1,028
1947.....	1,459	163	( <sup>5</sup> )	426	41	-----	1,157
1948.....	1,616	191	1	512	47	-----	1,248
1949.....	1,690	230	3	607	57	-----	1,263
1950.....	2,106	257	4	727	53	-----	1,583
1951.....	3,120	287	4	1,498	70	-----	1,843
1952.....	3,594	334	4	1,982	85	-----	1,864
1953.....	4,097	387	-----	2,627	89	-----	1,766
1954.....	4,589	451	-----	3,276	89	-----	1,676
1955.....	5,087	448	-----	4,333	103	-----	1,098
1956.....	6,442	495	-----	5,361	124	-----	1,452
1957.....	6,540	561	-----	6,515	150	-----	436
1958.....	7,267	557	-----	7,875	166	-----	-216
1959.....	7,565	540	-----	9,049	206	121	-1,271
1960.....	9,843	500	-----	10,270	202	683	-712
Estimated future experience:							
1961.....	11,185	501	-----	11,196	237	310	-57
1962.....	11,641	522	<sup>6</sup> 247	12,014	239	305	-147
1963.....	12,860	538	98	12,639	238	325	294
1964.....	14,631	585	96	13,187	251	320	1,554
1965.....	15,029	657	91	13,657	262	305	1,563

<sup>1</sup> Beginning December 1952, include adjustments for refunds of contributions.

<sup>2</sup> Includes (1) profits on marketable investments, (2) for fiscal years 1954-58, interest transferred from the railroad retirement account and, beginning in 1959, adjustment for interest transferred to the railroad retirement account, and (3) beginning in 1958, interest on administrative expenses reimbursed by the disability insurance trust fund.

<sup>3</sup> Include administrative expenses, less receipts from sale of surplus materials, services, etc. For fiscal years 1954-63, include cost of construction of an office building for the Bureau of Old-Age and Survivors Insurance. Beginning fiscal year 1957, expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund. Reimbursements, including interest, are then made from the disability insurance trust fund in the following fiscal year.

<sup>4</sup> Totals do not necessarily equal the sum of rounded components.

<sup>5</sup> Less than \$500,000.

<sup>6</sup> The budget for fiscal year 1962 did not provide for this reimbursement. (See text for additional details.)

NOTE.—In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in January 1961.

Aggregate income of the old-age and survivors insurance trust fund is expected to exceed aggregate outgo in the 5-year period covering fiscal years 1961-65. During this period, there is an estimated net increase in the trust fund of \$3.2 billion.

Estimates consistent with those shown on a fiscal-year basis in table 12 are presented in table 13 to show the progress of the old-age

and survivors insurance trust fund on a calendar-year basis. During calendar year 1962 the outgo of the trust fund is expected to exceed the income. With the rate increase scheduled to take place in 1963, total income is expected to exceed total disbursements and the upward trend in the size of the fund will be resumed.

Benefit disbursements will continue to increase over the next 5 calendar years as the number of beneficiaries under the program increases. Table 14 shows the annual amount of benefit payments distributed by classification of beneficiaries.

Benefit expenditures expressed as a percentage of payroll will also continue to increase. Benefit payments were 5.04 percent of taxable earnings for calendar year 1959. It is estimated that by 1965 benefit expenditures from the old-age and survivors insurance trust fund will be 5.92 percent of taxable earnings. Figures for each of the calendar years 1940-65 are shown in table 15.

The growth in the number of beneficiaries in the past and the expected growth in the future is attributable in large measure to the rising number of aged workers eligible for and receiving old-age (primary) benefits. This is illustrated in table 16 which contains an analysis of workers aged 65 and over eligible for old-age (primary) benefits by age attained as of the beginning of each of the calendar years 1941 through 1965.

TABLE 13.—Operations of the old-age and survivors insurance trust fund, calendar years 1937-65

[In millions]

Calendar year	Transactions during period						Net increase in fund	Fund at end of period
	Income			Disbursements				
	Tax contributions	Interest on investments	Reimbursement for additional cost of non-contributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
Past experience:								
1937-59.....	\$87,162	\$5,832	\$15	\$50,911	\$1,561	\$396	\$20,141	\$20,141
1941.....	789	56	-----	88	26	-----	731	2,762
1942.....	1,012	72	-----	131	28	-----	926	3,688
1943.....	1,239	88	-----	166	29	-----	1,132	4,820
1944.....	1,316	107	-----	209	29	-----	1,184	6,005
1945.....	1,285	134	-----	274	30	-----	1,116	7,121
1946.....	1,295	152	-----	378	40	-----	1,029	8,150
1947.....	1,557	164	1	466	46	-----	1,210	9,360
1948.....	1,685	281	3	556	51	-----	1,362	10,722
1949.....	1,666	146	4	667	54	-----	1,094	11,816
1950.....	2,667	257	4	961	61	-----	1,905	13,721
1951.....	3,363	417	4	1,885	81	-----	1,818	15,540
1952.....	3,819	365	-----	2,194	88	-----	1,902	17,442
1953.....	3,945	414	-----	3,006	88	-----	1,265	18,707
1954.....	5,163	468	-----	3,670	92	-----	1,869	20,576
1955.....	5,713	461	-----	4,968	119	-----	1,087	21,663
1956.....	6,172	531	-----	5,715	132	-----	856	22,519
1957.....	6,825	557	-----	7,347	162	-----	-126	22,393
1958.....	7,566	549	-----	8,327	194	121	-628	21,864
1959.....	8,052	525	-----	9,842	184	275	-1,724	20,141
Estimated future experience:								
1960.....	10,866	506	-----	10,676	203	308	185	20,325
1961.....	11,406	511	247	11,658	238	310	18	20,343
1962.....	11,835	530	98	12,326	239	305	-407	19,936
1963.....	13,981	560	96	12,913	243	325	1,156	21,092
1964.....	14,825	621	91	13,424	256	320	1,637	22,629
1965.....	15,199	695	84	13,880	267	305	1,626	24,155

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 12.

TABLE 14.—Old-age and survivors insurance benefit payments, distributed by classification of beneficiaries, calendar years 1940-65

[In millions]

Calendar year	Total benefit disbursements <sup>1</sup>	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers			Lump-sum payments
				Monthly benefits			
				Total <sup>1</sup>	Aged widows, dependent widowers, and dependent parents	Widowed mothers, divorced wives, and dependent children	
<b>Past experience:<sup>2</sup></b>							
1940	\$35.4	\$14.8	\$2.4	\$6.4	\$0.5	\$5.9	\$11.8
1941	88.1	43.6	7.6	23.6	2.7	20.9	13.3
1942	130.7	64.8	11.4	39.5	5.9	33.7	15.0
1943	165.9	79.1	13.9	55.2	9.9	45.2	17.8
1944	209.0	96.6	16.9	73.5	14.6	58.8	22.0
1945	273.9	125.8	22.3	99.6	21.0	78.6	26.1
1946	378.1	189.1	33.2	127.9	29.3	98.7	27.9
1947	466.2	244.7	42.9	149.1	38.3	110.8	29.5
1948	556.2	299.9	52.2	171.8	49.4	122.4	32.3
1949	667.2	372.9	64.5	196.6	62.2	134.3	33.2
1950	961.1	556.9	94.5	276.9	92.3	184.6	32.7
1951	1,885.2	1,134.9	186.1	506.8	164.5	342.3	57.3
1952	2,194.1	1,327.7	211.6	591.5	201.2	390.3	63.3
1953	3,006.3	1,894.2	291.1	743.5	260.2	483.4	87.5
1954	3,670.2	2,339.6	358.4	880.0	317.0	563.0	92.2
1955	4,968.2	3,252.9	494.9	1,107.5	412.2	695.4	112.9
1956	5,714.6	3,792.8	568.5	1,244.1	486.1	758.0	109.3
1957	7,347.3	4,898.4	799.4	1,520.7	671.7	849.0	138.8
1958	8,327.0	5,566.5	907.4	1,720.1	777.5	942.7	132.9
1959	9,841.6	6,548.0	1,059.0	2,063.3	946.1	1,117.2	171.3
<b>Estimated future experience:</b>							
1960	10,670	7,050	1,144	2,312	1,084	1,228	170
1961	11,658	7,686	1,237	2,551	1,207	1,344	184
1962	12,326	8,085	1,294	2,752	1,324	1,428	195
1963	12,913	8,426	1,345	2,939	1,433	1,506	203
1964	13,424	8,734	1,388	3,093	1,537	1,556	209
1965	13,880	9,010	1,417	3,238	1,641	1,597	215

Totals do not necessarily equal the sum of rounded components.

<sup>2</sup> Partly estimated.

TABLE 15.—Old-age and survivors insurance benefit payments as a percentage<sup>1</sup> of taxable earnings, calendar years, 1940-65

Calendar year	Benefit payments as a percentage of taxable earnings	Calendar year	Benefit payments as a percentage of taxable earnings
<b>Past experience:</b>			
1940	0.11	<b>Past experience—Continued</b>	
1941	.21	1954	2.83
1942	.25	1955	3.26
1943	.27	1956	3.43
1944	.32	1957	4.20
1945	.44	1958	4.78
1946	.55	1959	5.04
1947	.59	<b>Estimated future experience:</b>	
1948	.66	1960	5.30
1949	.82	1961	5.55
1950	1.10	1962	5.69
1951	1.60	1963	5.82
1952	1.76	1964	5.87
1953	2.28	1965	5.92

<sup>1</sup> For years 1951 and later, percentage takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

<sup>2</sup> Preliminary, subject to revision on complete tabulation of taxable self-employment earnings for 1957-59 and of taxable wages for 1958-59.

The growth in the number of eligible workers aged 65 and over was gradual but uninterrupted during the calendar years 1941 to 1949, inclusive. This growth resulted partly from the increase in the population at these attained ages, but primarily from the fact that in each passing year a larger proportion of the persons attaining age 65 had fully insured status.

The marked increase in the number of workers eligible for benefits in 1951 was due to the liberalized insured-status provisions of the 1950 amendments to the Social Security Act. Although the same factors that contributed before 1951 to the growth in the number of eligible persons aged 65 and over have continued to be operative after 1950, the amendments in 1950, 1954, 1956, and 1960 which liberalized the insured-status provisions and extended coverage to new areas of employment have an even greater effect.

As is indicated in table 16, a considerable proportion of the workers aged 65 and over who were eligible for old-age (primary) benefits in the past remained in covered employment (or, if they left covered employment, later returned to it) and did not receive benefits. Since January 1, 1945, however, the proportion of eligible workers receiving retirement benefits has been increasing except for temporary halts due to special circumstances resulting from the amendments of 1950, 1954, and 1960. In general, due to the increasing percentage of eligibles aged 72 or over who receive benefits regardless of earnings, the past upward trend in this proportion is expected to continue.

As a result of the amendments in 1956, an insured woman worker aged 62-64 may elect to receive an actuarially reduced retirement benefit. (Table 16 excludes data relating to women aged 62-64.) On January 1, 1961, there were an estimated 870,000 women workers aged 62-64 eligible for old-age benefits, of whom about 360,000, or 41 percent, were drawing such benefits. It is estimated that on January 1, 1965, 53 percent of the 900,000 women workers aged 62-64 eligible for old-age benefits will be receiving such benefits.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in table 17 together with the figures on actual experience in earlier years. Income of the disability insurance trust fund is expected to exceed disbursements in each of the 5 fiscal years 1961-65. During this 5-year period, it is estimated that the disability insurance trust fund will increase by about \$600 million.

TABLE 16.—Workers aged 65 and over eligible for and receiving old-age (primary) benefits, by attained age, calendar years 1941-65

[Numbers in thousands]

Beginning of calendar year	All workers aged 65 and over			Workers aged 65-69			Workers aged 70 and over		
	Number eligible for benefits <sup>1</sup>	Persons receiving benefits		Number eligible for benefits <sup>1</sup>	Persons receiving benefits		Number eligible for benefits <sup>1</sup>	Persons receiving benefits	
		Number	Percent of number eligible		Number	Percent of number eligible		Number	Percent of number eligible
Past experience:									
1941.....	548	112	20	376	85	23	172	28	16
1942.....	680	200	29	445	134	30	235	66	28
1943.....	831	260	31	522	153	29	309	107	35
1944.....	1,016	308	30	608	156	26	408	151	37
1945.....	1,244	378	30	708	167	24	536	211	39
1946.....	1,469	518	35	805	212	26	664	306	46
1947.....	1,637	702	43	868	271	31	799	430	56
1948.....	1,813	875	48	930	325	35	883	550	62
1949.....	1,990	1,048	53	1,000	380	38	990	668	67
1950.....	2,164	1,286	59	1,069	474	44	1,095	812	74
1951.....	3,139	1,771	56	1,663	721	43	1,476	1,050	71
1952.....	3,504	2,278	65	1,825	942	52	1,679	1,337	80
1953.....	4,366	2,644	61	2,260	1,055	47	2,106	1,589	75
1954.....	4,786	3,222	67	2,418	1,300	54	2,368	1,922	81
1955.....	5,306	3,775	71	2,636	1,518	58	2,670	2,257	85
1956.....	5,879	4,474	76	2,821	1,744	62	3,058	2,729	89
1957.....	6,802	4,999	74	3,175	1,876	59	3,627	3,123	86
1958.....	7,394	5,931	80	3,377	2,257	67	4,017	3,675	91
1959 <sup>2</sup> .....	7,803	6,608	85	3,471	2,475	71	4,332	4,133	95
1960.....	8,225	7,191	87	3,530	2,644	75	4,695	4,547	97
Estimated future experience:									
1961.....	8,832	7,710	87	3,804	2,820	74	5,028	4,890	97
1962.....	9,237	8,296	90	3,881	3,061	79	5,356	5,235	98
1963.....	9,582	8,648	90	3,929	3,122	79	5,653	5,526	98
1964.....	9,862	8,948	91	3,942	3,163	80	5,920	5,785	98
1965.....	10,088	9,190	91	3,937	3,176	81	6,151	6,014	98

<sup>1</sup> Figures for 1941-60 are partly estimated. Females aged 62-64 eligible for old-age benefits are excluded from the table. No adjustments have been made to reflect changes arising from (1) provisions that coordinate the old-age, survivors, and disability insurance and the railroad retirement programs, and (2) non-contributory wage credits for military service.

<sup>2</sup> Data are as of Dec. 1, 1958.

Estimates consistent with those shown on a fiscal-year basis in table 17 are presented in table 18 to show the progress of the disability insurance trust fund on a calendar-year basis.

The total amount of benefit payments under the disability insurance program will continue to increase over the next 5 calendar years as the number of beneficiaries increases. Benefit expenditures as a percentage of payroll will also continue to increase. Benefit payments were 0.23 percent of taxable earnings for calendar year 1959. It is estimated that by 1965 benefit expenditures from the disability insurance trust fund will be 0.51 percent of payroll. Figures for each of the calendar years 1957-65 are shown in table 19.

Reference has been made in earlier chapters to the financial interchanges between the railroad retirement account and the two trust funds under the provisions of the Railroad Retirement Act, as amended. The estimates shown in tables 12, 13, 17, and 18 reflect the effect of future financial interchanges.

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TABLE 17.—Operations of the disability insurance trust fund, fiscal years 1957-65

[In millions]

Fiscal year	Transactions during period						Net increase in fund <sup>4</sup>	Fund at end of period <sup>4</sup>
	Income			Disbursements				
	Tax contributions <sup>1</sup>	Interest on investments <sup>2</sup>	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses <sup>3</sup>	Transfers to railroad retirement account		
Past experience:								
1957-60.....	\$3, 146	\$98	-----	\$1, 036	\$67	-\$26	\$2, 167	\$2, 167
1957.....	337	1	-----		1	-----	337	337
1958.....	926	16	-----	168	12	-----	762	1, 099
1959.....	895	33	-----	339	21	-----	568	1, 667
1960.....	987	48	-----	528	32	-----	501	2, 167
Estimated future experience:								
1961.....	1, 015	55	-----	715	37	-1	319	2, 486
1962.....	1, 058	67	\$2	935	46	0	146	2, 632
1963.....	1, 093	76	2	1, 030	52	2	87	2, 719
1964.....	1, 125	80	3	1, 106	53	2	47	2, 766
1965.....	1, 156	82	5	1, 163	56	3	21	2, 787

<sup>1</sup> Adjusted for refunds.

<sup>2</sup> Includes (1) profits on marketable investments and (2) for fiscal years 1960-61, interest transferred from the railroad retirement account and, beginning in 1963, adjustment for interest transferred to the railroad retirement account.

<sup>3</sup> Expenses of the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund. Reimbursements, including interest, are then made from the disability insurance trust fund in the following fiscal year.

<sup>4</sup> Totals do not necessarily equal the sum of rounded components.

<sup>5</sup> The budget for fiscal year 1962 did not provide for this reimbursement. (See text for additional details.)

NOTE.—Reference should be made to the text which describes the underlying assumptions and limitations. Estimates were prepared in January 1961.

TABLE 18.—Operations of the disability insurance trust fund, calendar years 1957-65

[In millions]

Calendar year	Transactions during period						Net increase in fund	Fund at end of period
	Income			Disbursements				
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
Past experience:								
1957-59.....	\$2, 558	\$73	-----	\$762	\$65	-\$21	\$1, 825	\$1, 825
1957.....	702	7	-----	57	3	-----	649	649
1958.....	966	25	-----	249	12	-----	729	1, 379
1959.....	891	41	-----	457	50	-----	447	1, 825
Estimated future experience:								
1960.....	1, 010	53	-----	568	36	-5	464	2, 289
1961.....	1, 041	61	\$2	857	43	-1	205	2, 494
1962.....	1, 077	71	2	986	40	0	115	2, 609
1963.....	1, 107	78	3	1, 071	52	2	63	2, 672
1964.....	1, 138	81	5	1, 137	54	2	31	2, 703
1965.....	1, 168	83	6	1, 186	57	3	11	2, 714

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 17.

TABLE 19.—Disability insurance benefit payments as a percentage<sup>1</sup> of taxable earnings, calendar years 1957-65

Calendar year	Benefit payments as a percentage of taxable earnings	Calendar year	Benefit payments as a percentage of taxable earnings
Past experience:		Estimated future experience—Con.	
1957.....	0.03	1961.....	0.41
1958.....	0.14	1962.....	.46
1959.....	0.23	1963.....	.48
Estimated future experience:		1964.....	.50
1960.....	.28	1965.....	.51

<sup>1</sup> Takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

<sup>2</sup> Preliminary, subject to revision on complete tabulation of taxable self-employment earnings for 1957-59 and of taxable wages for 1958-59.

Public Law 881, approved August 1, 1956, provides that the old-age and survivors insurance trust fund, and where appropriate the disability insurance trust fund, shall be reimbursed from general revenues for past and future expenditures resulting from the provisions that granted noncontributory \$160 monthly wage credits to persons who served in the Armed Forces from September 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivorship protection to certain World War II veterans for a period of 3 years after leaving service. In accordance with these provisions, the annual reimbursement is to be made up of two parts: (1) the additional costs arising from payments during the period September 1950 through June 1956, the total of which is to be amortized in annual installments over a 10-year period; and (2) the additional costs arising from payments made after June 30, 1956, to be repaid to each of the trust funds on a current basis. The estimates shown in the various tables in this section of the report reflect the effect of these reimbursements and are based on the assumption that the required appropriations will be made in fiscal year 1962 and thereafter. The budget for the fiscal year 1962 (p. M80) did not make any provision for such reimbursements, pending development of legislative proposals dealing with situations in which, under present law, payments are required to be made from general funds to both the railroad retirement account and to the trust funds on account of military service. The budget stated that—

\* \* \* it is not sound policy for the Government to pay more than the true cost of such benefits or to pay both the railroad retirement and the old-age, survivors, and disability insurance trust funds for the same military service credits, as the present law requires.

A description of the legislative history of provisions relating to credit for military service, including provisions for reimbursement for the additional costs arising from payments made before September 1950, is contained in appendix II.

As already indicated earlier in this section, forecasts of the income and disbursements of the trust funds involve many uncertainties. For that reason, estimates are presented in table 20 to show the effects on the operations and status of the old-age and survivors insurance trust fund in the unlikely event of a sharp reduction in the level of economic activity during calendar years 1961-65, with a relatively high rate of unemployment during the entire period.

Under this assumption, contributions would be lower and benefit payments higher than estimated above under high employment conditions.

The lower the level of employment during the next 5 years, the larger will be the volume of benefit payments to retired workers and to their eligible dependents. Under the hypothetical lower employment conditions it is estimated that larger proportions of eligible workers would be obliged to leave employment, especially at ages 65-69. Hence, despite a slightly smaller number of eligible workers, the number receiving old-age (primary) benefits under this assumption would considerably exceed that under high employment conditions. Moreover, it is expected that the average old-age (primary) benefit amount payable would be larger inasmuch as many of the more steadily employed higher paid older workers, who would not withdraw from employment under the high employment conditions, would not be employed under these assumed conditions. The foregoing analysis also applies to insured women workers aged 62-64.

TABLE 20.—*Illustration showing the operations and status of the old-age and survivors insurance trust fund assuming the unlikely event of a sharply reduced level of economic activity, calendar years 1961-65*

[In millions]

Calendar year	Transactions during period							Fund at end of period
	Income			Disbursements			Net increase in fund	
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
1961.....	\$10,904	\$500	<sup>1</sup> \$247	\$11,801	\$245	\$310	-\$705	\$19,620
1962.....	10,382	454	08	12,724	246	320	-2,356	17,264
1963.....	11,378	380	06	13,417	248	360	-2,162	15,102
1964.....	11,598	311	91	13,863	260	380	-2,503	12,599
1965.....	11,637	229	84	14,210	270	390	-2,920	9,679

<sup>1</sup> The budget for fiscal year 1962 did not provide for this reimbursement. (See text for additional details.)

NOTE.—In interpreting the above estimates, reference should be made to the accompanying text which explains the underlying assumptions.

On the other hand, the larger the volume of employment, the larger will be the number of workers who are insured under the program and therefore the larger will be the number of deaths which will give rise to valid claims for survivor benefits. While favorable opportunities for employment will operate to increase the number of new death claims, such a high employment situation will tend to have counterbalancing effects such as that of inducing many of the widows and older children eligible for survivor benefits to forgo them by working. Therefore the amount paid out for survivor benefits over the short-range future will not be affected significantly by variations in economic conditions.

## ACTUARIAL STATUS OF THE TRUST FUNDS

Old-age, survivors, and disability insurance benefit payments will increase for many years—not only in dollars but also as a percentage of taxable payroll. Long-range estimates are needed, therefore, to show how much the cost is likely to increase and to indicate whether the scheduled tax rates are adequate.

The cost of benefits to aged persons, which constitute almost 90 percent of the total cost, will rise for several reasons. The United States population will almost certainly become relatively much older on the average. A relatively older population will result because the present aged population is made up of the survivors from past periods when death rates were much higher than they are now. Also, after the turn of the century, the larger birth cohorts of the 1940's and 1950's will be attaining retirement age. Thus, in the future, relatively more persons, both in total and in each cohort, will attain age 65 and older ages.

The cost of the program is thus closely related to the ratio of the population aged 65 and over (potential beneficiaries) to the population aged 20-64 (potential contributors). At present, this ratio is 16.6 percent. In a stationary population resulting from present death rates the ratio would be 25.4 percent, but such a situation is not likely to occur within a number of decades. Ultimately it is expected that this ratio will become even greater because of decreases in mortality below present rates.

Another reason for the increasing cost is that the proportion of the aged population eligible for and receiving benefits will increase. Many of the present persons aged 65 and over were not in covered employment long enough to obtain benefits, or, in the case of widows, their husbands were not sufficiently long in covered employment. Although the system began in 1937, many jobs were not covered until 1951 or 1955. It is estimated that the proportion of the aged population eligible for some type of benefit under the system will increase from the present level of about 75 percent to between 92 and 97 percent by the end of the century.

Since the future cost of the old-age, survivors, and disability insurance program will be affected by many factors that are difficult to determine, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. The long-range cost estimates for the program as it was changed by the 1960 amendments (shown for 1970 and thereafter) are presented here on a range basis to indicate the plausible variation in future costs depending on the actual trends that develop for the various cost factors. Both the low- and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1959. Each estimate provides data on payroll and contributions and on beneficiaries and benefit payments for every future year. The data are presented here for selected future years. All figures are assumed to remain constant after 2050.

It is considered likely, although by no means certain, that actual costs as a percentage of payroll will lie between the low-cost and high-cost figures. Also, a single estimate of costs is needed as a guide in considering proposed legislation and developing tax schedules intended to make the system self-supporting. For these reasons, an

intermediate-cost estimate is prepared, in which numbers of beneficiaries, amount of benefit payments, and payrolls are taken halfway between the low-cost and high-cost figures. The intermediate percentage-of-payroll figures are obtained by dividing total benefit payments by taxable payroll, each on the intermediate basis, and are therefore not exactly equal to the average of low-cost and high-cost percentage-of-payroll figures.

Table A shows benefit payment costs for selected years and the level-premium cost, all expressed as percentages of payroll, under each of the three estimates. The level-premium cost is that constant combined employer-employee tax rate that, together with a tax on the self-employed at 75 percent of such combined rate, would exactly pay for all future benefits and administrative expenses, after making allowance for the effect of the existing trust fund and for future interest earnings. All percentage-of-payroll figures are adjusted so that they represent the tax rate that employees and employers combined, and the self-employed at three-quarters of the combined rate, would have to pay in any given year to meet exactly the disbursements in that year. Tables B and C show, for each set of estimates, the contributions, benefit payments, administrative expenses, amount paid to or received from the railroad retirement system, and the balance in the trust funds for selected years.

TABLE A.—*Estimated costs of old-age, survivors, and disability insurance system as percent of payroll,<sup>1</sup> high employment and 1959 level earnings assumptions, 1970–2050*

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate <sup>2</sup>
Old-age and survivors insurance benefits			
1970.....	6.69	7.02	6.85
1980.....	7.55	8.57	8.05
1990.....	7.73	9.78	8.71
2000.....	6.94	9.89	8.29
2025.....	7.81	13.01	9.97
2050.....	9.90	14.85	11.81
Level-premium cost <sup>3</sup> .....	7.40	9.65	8.42
Disability insurance benefits			
1970.....	0.40	0.65	0.52
1980.....	.41	.72	.56
1990.....	.39	.71	.54
2000.....	.39	.74	.55
2025.....	.45	.82	.60
2050.....	.49	.85	.63
Level-premium cost <sup>3</sup> .....	.42	.73	.56

<sup>1</sup> Taking into account the lower contribution rate for the self-employed, as compared with the combined employer-employee rate.

<sup>2</sup> Based on the average of the dollar costs under the low-cost and high-cost estimates.

<sup>3</sup> Level-premium contribution rate, at 3.02 percent interest rate, for benefits after 1959, taking into account interest on the trust fund on December 31, 1959, future administrative expenses, the railroad retirement financial interchange provisions, and the lower contribution rates payable by the self-employed.

TABLE B.—Estimated progress of old-age and survivors insurance trust fund, high employment and 1959 level earnings assumption, 3.02 percent interest basis <sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Financial interchange <sup>2</sup>	Interest on fund	Fund at end of year <sup>3</sup>
Actual data						
1951.....	\$3,367	\$1,885	\$81	-----	\$417	\$15,540
1952.....	3,819	2,194	88	-----	365	17,442
1953.....	3,945	3,006	88	-----	414	18,707
1954.....	5,163	3,670	92	-----	468	20,576
1955.....	5,713	4,968	119	-----	461	21,663
1956.....	6,172	5,715	132	-----	531	22,519
1957.....	6,825	7,347	162	-----	557	22,393
1958.....	7,566	8,327	194	-\$124	552	21,864
1959.....	8,052	9,842	184	-282	532	20,141
Low-cost estimate						
1970.....	\$20,061	\$15,790	\$230	-\$100	\$1,420	\$45,530
1980.....	23,821	21,168	250	41	2,841	98,122
1990.....	28,414	25,855	292	126	4,592	157,829
2000.....	34,065	27,807	332	126	7,521	259,577
2025.....	46,142	42,407	472	126	24,196	827,072
High-cost estimate						
1970.....	\$19,951	\$16,476	\$260	-\$220	\$1,157	\$36,974
1980.....	22,833	23,014	290	-39	1,913	64,999
1990.....	25,759	29,636	337	46	1,753	57,707
2000.....	28,888	33,603	379	46	690	20,668
2025.....	32,655	49,992	498	46	( <sup>4</sup> )	( <sup>5</sup> )
Intermediate-cost estimate						
1970.....	\$20,006	\$16,132	\$245	-\$160	\$1,289	\$41,270
1980.....	23,327	22,092	270	1	2,377	81,581
1990.....	27,087	27,745	315	86	3,173	107,798
2000.....	31,477	30,704	356	86	4,101	140,161
2025.....	39,398	46,201	485	86	8,118	273,320

<sup>1</sup> An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> A positive figure indicates payment to the trust fund from the railroad retirement account; a negative figure indicates the reverse.

<sup>3</sup> Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to \$377 for 1953, \$284 for 1954, \$163 for 1955, \$60 for 1956, and nothing for 1957 and thereafter.

<sup>4</sup> These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

<sup>5</sup> Fund exhausted in 2005.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

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TABLE C.—Estimated progress of disability insurance trust fund, high employment and 1959 level earnings assumptions, 3.02 percent interest basis <sup>1</sup>

[In millions]					
Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Actual data					
1957.....	\$702	\$57	\$ 3	\$7	\$649
1958.....	866	249	12	25	1,379
1959.....	891	457	60	41	1,825
Low-cost estimate					
1970.....	\$1,180	\$934	\$51	\$180	\$5,622
1980.....	1,401	1,160	58	285	9,805
1990.....	1,671	1,302	64	464	15,986
2000.....	2,004	1,573	78	743	28,537
2025.....	2,714	2,456	115	1,819	62,109
High-cost estimate					
1970.....	\$1,174	\$1,525	\$55	\$42	\$1,089
1980.....	1,343	1,943	66	( )	( )
1990.....	1,615	2,157	71	( )	( )
2000.....	1,699	2,522	82	( )	( )
2025.....	1,921	3,148	97	( )	( )
Intermediate-cost estimate					
1970.....	\$1,177	\$1,229	\$53	\$111	\$3,354
1980.....	1,372	1,550	62	75	2,438
1990.....	1,593	1,730	68	19	557
2000.....	1,852	2,048	80	( )	( )
2025.....	2,318	2,802	106	( )	( )

<sup>1</sup> An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate.

<sup>2</sup> These figures are artificially low because of the method of reimbursements between the trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

<sup>3</sup> Fund exhausted in 1973.

<sup>4</sup> Fund exhausted in 1993.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service and transfers to or from the railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

Annual benefit payments as a percentage of payroll are less than the scheduled tax rates in the early future years (with a few exceptions), but—except under the low-cost disability estimate—eventually rise to well above the ultimate scheduled combined employer-employee tax rate of 8½ percent for old-age and survivors insurance and one-half percent for disability insurance. To measure the extent to which the financing arrangements of the system result in a surplus or deficiency, a level rate equivalent to the actual increasing contribution rates has been computed, taking into account future interest. The level-premium equivalent of contributions minus the level-premium equivalent of benefit and administrative costs, after making allowance for the interest-earning effect of the existing trust fund, gives the amount by which the contribution rate in all years would have to be changed to put the system in exact long-range balance according to the estimate. A negative figure indicates that an increase in the tax rate is needed to make the system self-supporting. The following level-premium

figures, in percentages of payroll, are computed as of the beginning of calendar year 1960, at 3.02 percent interest (the estimated average rate corresponding to the revised method of determining the interest rate on special obligations issued to the trust funds under the provisions of the 1960 amendments):

Item	Low cost	High cost	Intermediate cost
Old-age and survivors insurance			
Contributions <sup>1</sup> .....	8.20	8.14	8.18
Benefit cost <sup>2</sup> .....	7.40	9.65	8.42
Net difference.....	.80	-1.51	-.24
Disability insurance			
Contributions <sup>1</sup> .....	0.50	0.50	0.50
Benefit cost <sup>2</sup> .....	.42	.73	.56
Net difference.....	.08	-.23	-.06

<sup>1</sup> Based on adjusted payroll that reflects the lower contribution rate for the self-employed as compared with the combined employer-employee rate.

<sup>2</sup> Including adjustments (a) to reflect lower contribution rate for the self-employed as compared with the combined employer-employee rate, (b) for interest on existing trust fund, (c) for administrative expenses, and (d) for the railroad retirement financial interchange provisions.

The 1960 amendments increased the lack of actuarial balance of the old-age and survivors insurance system from 0.20 percent of payroll (as shown in the 20th Trustees Report) to 0.24 percent on the intermediate-cost basis. The disability insurance system has a lack of actuarial balance of 0.06 percent of payroll, as compared with the 0.15 percent actuarial surplus under the provisions of the 1958 act. The combined old-age, survivors, and disability insurance system has an actuarial deficit of 0.30 percent of payroll, which is well within the margin of variation possible in actuarial cost estimates, and which is about the same as has generally prevailed in the past when the system has been considered to be in substantial actuarial balance.

If the cost estimates had been based on a higher interest rate than 3.02 percent (which is somewhat above the current average being earned by the total investments of the trust funds, although considerably below the prevailing market rate of interest on long-term Government obligations, which was about 3½ percent in the last part of 1960), the lack of actuarial balance would have been considerably less than 0.30 percent of payroll. In fact, if an interest rate of 3½ percent had been hypothesized, the cost estimates would show no actuarial deficit.

If the experience exactly follows the assumptions, future computations would show a gradual increase in the actuarial lack of balance under the high-cost or intermediate-cost estimate for both the old-age and survivors insurance system and the disability insurance system, while the actuarial surplus would increase under the low-cost estimate. The reason for this is that interest accumulations increase any deficit or surplus in the system. In the case of a surplus, the excess contributions actually earn interest, while a deficit grows because of the absence of the annual interest that would have been earned if the proper contributions had been paid. With continuing study of the emerging experience under the program, there will be